

# **EXHIBIT C**



# Marathon Digital Holdings, Inc.

MARA - NASDAQ

## Institutional Equity Research

November 16, 2021

### Sell-Off Overdone; Updating Estimates and Reiterate BUY

After a big run, Marathon sold off hard yesterday, closing down 27%. While there was an SEC investigation in the 10-Q, we think the pullback was more due to the convert which was upsize to \$650M. We don't see much risk around the potential securities violation and would use any further weakness as a buying opportunity. MARA's 3Q results showed continued progress and this fresh capital should help the company continue to scale beyond its industry leading 1H22 ramp (+100K rigs). With the stock trading at 9x our updated 2023 adjusted EPS estimate, the risk/reward has improved dramatically in just 24 hours.

**Updated Bitcoin Forecast:** We've updated our top down forecast for the Bitcoin network which drives all 6 of our miner models. With Bitcoin holding \$60K for the last month, we've raised our BTC forecast. We now assume BTC drops to \$45K tomorrow (up from \$40K) then slowly recovers, reaching \$62K by YE22 and \$77K by YE23. However, these higher BTC assumptions are largely offset by our updated hash rate forecast.

**Raising Hash Rate:** The positive impact of the higher BTC assumption is more than offset by our more conservative hash rate assumptions. We thought our original forecast would give us some air cover, but trends over the last month have been worrisome. After a relatively benign September (avg Network 119 vs 121 in August), October rose to 149 and averaged 163 so far in November. With capital raising accelerating and BTC holding \$60K, the hash rate should continue to rise. Our updated forecast calls for ~329 by YE22 and 519 by YE23.

**Inline 3Q Results:** We're also updating estimates for Marathon's 3Q results which were largely inline with expectations as slightly lower revs/gross profit was offset by lower core opex.

- **Revenue:** Miss - \$51.7M vs \$52.1M est. due to average BTC price as MARA had already disclosed 1,252 BTC mined for the quarter. Mining market share rose to 1.46%, up from 0.86% last quarter
- **Gross Profit:** \$45.8M vs \$46.5M on the slightly lower revenue and lower gross margin (88.5% vs 89.3%). Cost per coin of \$4,729 (vs \$4,463 est) was still way down from last quarter's \$10,694.
- **Adjusted Opex:** Core (ex-SBC) compensation lower than expected (\$1.4M vs \$3.0M) while G&A was also lower helping non-GAAP opex beat (\$3.2M vs \$4.9M est). Mgmt indicated it has been doing some hiring some expect expenses to rise from here but scaling should help MARA sustain super-high adjusted EBITDA margins, 82.2% this quarter (vs 79.8% est), up from 68.4% in 2Q.
- **Adjusted Operating Income:** Combined, the lower opex more than offset the gross margin miss as Marathon beat on the bottom line (\$42.5M vs \$41.5M est) and adjusted EPS \$0.42 (vs. \$0.41).

FY (Dec)		2020A	2021E	Previous	Cons.	2022E	Previous	Cons.
EPS	Q1 (Mar)	\$0.01	<b>\$0.06A</b>	-	\$0.06	<b>\$0.80E</b>	\$1.17	\$0.69
	Q2 (Jun)	\$(0.08)	<b>\$0.21A</b>	-	\$0.21	<b>\$1.08E</b>	\$1.50	\$0.74
	Q3 (Sep)	\$(0.02)	<b>\$0.42E</b>	\$0.41	\$0.43	<b>\$1.29E</b>	\$1.60	\$0.79
	Q4 (Dec)	\$(0.01)	<b>\$0.63E</b>	NC	\$0.75	<b>\$1.44E</b>	\$1.60	\$0.77
		\$(0.04)	<b>\$1.43E</b>	\$1.42	\$0.22	<b>\$4.65E</b>	\$5.90	\$4.23
Price/EPS		NM	38.8x			11.9x		
Revenue (\$M)	Q1 (Mar)	\$0.6	<b>\$9.2A</b>	-	\$9.2	<b>\$103.4E</b>	\$148.7	\$157.0
	Q2 (Jun)	\$0.3	<b>\$29.3A</b>	-	\$29.3	<b>\$144.7E</b>	\$198.6	\$184.1
	Q3 (Sep)	\$0.8	<b>\$51.7E</b>	\$52.1	\$67.4	<b>\$180.9E</b>	\$221.4	\$197.0
	Q4 (Dec)	\$2.6	<b>\$80.2E</b>	\$80.5	\$119.1	<b>\$211.3E</b>	\$231.1	\$195.9
		\$4.4	<b>\$170.4E</b>	\$171.1	\$224.7	<b>\$640.2E</b>	\$799.8	\$789.8
EV/Sales		NM	31.3x			8.3x		

Please refer to pages 3 - 4 of this report for detailed disclosure and certification information.

### Buy

<b>Price Target</b>	<b>\$65.00</b>
Price (11/2/21)	\$55.40
Industry	TECHNOLOGY

### Valuation & Performance

Total Debt/Total Capital	NA
Cash per share (10/13/21)	\$2.42
BV Per Share (6/30/21)	\$5.82
Dividend	\$0.00 (0.0%)
Return on Equity (T-T-M)	NA

### Trading Data

Shares Outstanding (M)	99.8
Market Capitalization (\$M)	\$5,527.7
52-week range	\$2.33 - \$83.45
Avg. Volume (3-mth.) (K)	11,525.9

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### Company Description

Las Vegas, NV –Incorporated in 2010 under the name Verve Ventures, Marathon subsequently changed its name to American Strategic Minerals Corporation and engaged in the exploration and development of uranium and vanadium. A year later, Marathon discontinued its minerals business to purchase real estate properties in Southern California, which was later discontinued as well. Today, Marathon mines Bitcoin at facilities in South Dakota, Montana, and Texas. As of September 2021, Marathon had mined and held 1,758 BTC.

### Price Performance

NASDAQ: MARA



**Marathon Digital Earnings Summary**

\$ in millions except where noted

	3Q20	2Q21	3Q21			2020A	2021E			2022E			2023E		
			Cons	Davidson	Actual		Prior	Davidson	Cons	Prior	Davidson	Cons	Prior	Davidson	Cons
<b>Mining Metrics</b>															
Hashrate	-	0.2		2.7	2.7	0.2	4.5	4.5		15.3	15.3		24.3	24.3	
BTC Mining Market Share	0.09%	0.86%		1.46%	1.46%	0.06%	1.15%	1.10%		4.27%	3.42%		5.33%	4.36%	
Sequential Growth	0.00%	0.00%		1.24%	1.24%	0.00%	0.43%	0.42%		1.13%	0.91%		1.37%	1.12%	
<b>Non-GAAP Income Statement</b>															
Revenue	0.8	29.3	51.7	52.1	51.7	4.4	173.7	170.4	224.7	674.9	640.2	789.8	1,004.2	1,003.4	944.2
Cost of Revenue (ex depreciation)	(0.3)	(3.5)	11.3	(5.6)	(5.9)	4.0	9.9	9.6	35.2	37.8	33.9	89.3	28.5	28.4	(943.3)
<b>Gross Profit</b>	<b>0.5</b>	<b>25.8</b>	<b>63.0</b>	<b>46.5</b>	<b>45.8</b>	<b>0.3</b>	<b>154.0</b>	<b>151.0</b>	<b>189.5</b>	<b>598.0</b>	<b>567.2</b>	<b>700.5</b>	<b>880.3</b>	<b>879.5</b>	<b>938.4</b>
Non-GAAP Gross Margin	59.6%	88.0%	121.8%	89.3%	88.5%	8.0%	88.7%	88.6%	84.3%	88.6%	88.6%	88.7%	87.7%	87.7%	99.4%
Cost per Bitcoin Mined	(4,401)	(5,372)		(4,463)	(4,729)		2,635	2,638		2,671	2,994		1,631	1,989	
Adj Compensation (ex-SBC)	(0.6)	(3.2)		(3.0)	(1.4)	(2.3)	(7.6)	(7.6)		(8.1)	(8.1)		(11.9)	(11.9)	
<b>Adj Operating Income</b>	<b>(0.7)</b>	<b>20.1</b>	<b>43.7</b>	<b>41.6</b>	<b>42.5</b>	<b>(3.6)</b>	<b>146.4</b>	<b>143.4</b>	<b>170.3</b>	<b>586.6</b>	<b>555.7</b>	<b>564.9</b>	<b>862.6</b>	<b>861.8</b>	<b>717.4</b>
Taxes	-	-		-	-	-	0.2	0.2	10.9	3.3	3.3	45.4	5.9	5.9	64.7
Adjusted EBITDA	(0.7)	20.1	43.7	41.6	42.5	(3.6)	139.0	136.0	181.2	589.9	559.1	610.3	868.4	867.7	782.1
Adj EBITDA Margin		68.4%		79.8%	82.2%	-83.7%	80.0%	79.8%	80.7%	87.4%	87.3%	77.3%	86.5%	86.5%	82.8%
<b>Adjusted EPS</b>	<b>(\$0.02)</b>	<b>\$0.21</b>	<b>\$ 0.85</b>	<b>\$ 0.41</b>	<b>\$ 0.42</b>	<b>(\$0.04)</b>	<b>\$ 1.46</b>	<b>\$ 1.43</b>	<b>\$ 0.82</b>	<b>\$ 4.91</b>	<b>\$ 4.65</b>	<b>\$ 5.21</b>	<b>\$ 6.19</b>	<b>\$ 6.18</b>	<b>\$ 5.52</b>
Ending Cash															
Ending Crypto															

Source: Company data, Factset, and Davidson estimates

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## Potential Risks

**Sensitivity to Crypto Prices:** A large part of crypto mining is generated from the overall price of BTC and other cryptocurrencies. Given the volatility of digital assets, a crypto winter or large drop in the price of BTC would negatively affect the company's financial health.

**Regulatory Attention:** Marathon's business model is contingent upon US government acceptance of decentralized finance and cryptocurrency. Although restrictions on Bitcoin and/or mining seem unlikely, there are multiple paths from here.

**Miner Deliveries:** Marathon's growth outlook is highly dependent on successful delivery and installation of the over 100,000 rigs still on order. If these purchases are not installed in a timely fashion, Marathon's revenue may fall below expectations.

**Hosted Facilities:** Marathon mines in Montana and Texas through its hosting agreements with Compute North, who agrees to house Marathon miners. In exchange, Marathon provides Compute North with third party hosting fees from its mining revenue. It is possible that this profit sharing system may not sit well with investors.

**Halvening:** Bitcoin software was preprogrammed to halve the miner reward every four years. Although the reduced supply has tended to drive Bitcoin prices significantly higher, the next halving (~2Q24) may not.

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**BUY:** Expected to produce a total return of over 15% on a risk adjusted basis over the next 12-18 months

**NEUTRAL:** Expected to produce a total return of -15% to +15% on a risk adjusted basis over the next 12-18 months

**UNDERPERFORM:** Expected to lose value of over 15% on a risk adjusted basis over the next 12-18 months

Rating Distribution (as of 9/30/21)	Coverage Universe Distribution			Investment Banking Distribution		
	IR	WMR	Combined	IR	WMR	Combined
<b>BUY (Buy)</b>	69%	89%	72%	18%	0%	16%
<b>NEUTRAL (Hold)</b>	31%	11%	28%	9%	0%	8%
<b>UNDERPERFORM (Sell)</b>	0%	0%	1%	0%	0%	0%

IR denotes Institutional Research; WMR denotes Wealth Management Research whose rating scale is Buy/Add, Neutral, Sell/Reduce. Investment Banking Distribution denotes companies from whom D.A. Davidson & Co. has received compensation in the last 12 months.



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